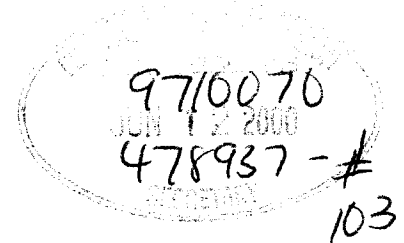


Office of the Secretary
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, D.C. 20580



To whom it may concern,

I must say that I am absolutely appalled at the FTC's decision to reverse the minimum advertised price (MAP) policy instituted by major music manufacturers. This policy was a necessity, giving small music retailers a fighting chance in an American market clogged with big discount superstores and online upstarts. Over 1,000 independent retail locations were shuttered in the mid-1990's due to a price war started by these multimedia conglomerates, eating away the bread and butter that once belonged to the smaller retailers in an effort to lure customers in for high dollar purchases, such as stereos, TVs, and computers. The MAP policy curbed the ability of discount chains to, in effect, "give" product away at the expense of smaller music retailers who can not compete with such bottom-dollar pricing and make any kind of profit. In doing this, the FTC are sending a message that small business no longer matters in the American marketplace, and that we should accept the ruling as a viable democratic decision. This country was built on the toil and hard work of the small businessman, and by favoring big business over small, how will growth occur without giving small the support it needs? It almost seems as if big business has been feeding the FTC what it wants them to hear, for any reasonable government agency need look no further than the state of the music industry circa 1996 and see how bad things were for the common music retail outlet. Do we really want to go back to a time of such turmoil? Sure, things look great on paper now, but are our memories so short and clouded that the price war is just a distant memory?

I feel extremely affected by this ruling in a personal way. I have been a great lover of music all of my life, and have frequented music stores ever since I was a small child. I had a dream as a youth that one day I would get to work in a music store, spreading my love of music to others, and exposing customers to things they might not otherwise hear on radio or TV. At 18, I achieved that goal when I started working for the Musicland Group, not my favorite of companies, I must admit, due to its strict corporate atmosphere, but enjoyable nonetheless. After five years there, I accepted a position at an up-and-coming chain based out of Newark, DE called Rainbow Records. I finally felt that I was able to do something that I loved, and it had such a fantastic atmosphere, as people were open to new ideas and new music. How unfortunate then, that as the company grew, a price war broke out, and after moving halfway across the country, I suddenly found my store up for sale. We were included in a purchase by an independent book store who was getting into music to diversify itself, and establish enough consumer base as to ward off any potentially encroaching book retailers. When the store was first purchased, profits were poor, and, although we felt we were the best at what we did locally, it was not until MAP policy was created that we actually began to climb out of our hole. Four years later, our consumer base has expanded, our business has doubled, and even though manufacturer suggested retail prices (MSRP) have risen (a decision made by CD manufacturers), I am no longer hearing complaints from customers about being able

to purchase items cheaper at discount giants. We provide a service that customers appreciate, and are more than willing to help break new talent whenever we can. Reversing MAP policy will decrease customer service and consumer relations for all brick and mortar stores. It's like putting all eggs in a big basket, saying "it's OK to sell product for whatever you want...we don't care if the little guys are able to expose people to new talent...money is all that really matters...that's the American Way."

The most ridiculous arguments I have heard regarding the recent policy reversal are that CD prices are inflated and have been for some time. If the FTC wants somebody to blame for this, they need look no further than the major record companies themselves. They are the ones that set manufacturer suggested retail prices (MSRP), and base all of their selling prices to retailers on what the MSRP will be. How else can you explain the constant price hikes developing artists receive once they begin to sell mass quantities? Using small business as a scapegoat for a marketplace with inflated pricing is extremely shortsighted. Maybe the FTC should look at Universal Music Group, who purchased Polygram Distribution last year, and promptly raised all catalog and new release MSRPs. Then the FTC should investigate the other major manufacturers to see how they also raised their MSRPs once UMG had done it, validating Universal's pricing policies and implementing similar price structures. When artists such as Britney Spears, N-Sync, and Eminem can sell over a million CDs their first week of release, is it really necessary for record manufacturers to have raised their list prices \$2 higher than what they would have been less than two years ago? As would be expected, our selling prices unfortunately rose in accordance with manufacturer price increases.

All this disappointment basically adds up to an incomplete investigation by the FTC, which obviously had not fully researched the situation before forcing record companies to overturn the MAP policy, and a lack of value placed on independent american businesses. After thirteen years in music retail, the kid in me still loves music stores, and the adult now knows why: There is something about being able to shop in places where people are knowledgeable, not simply pushing product, and where one can discover new talent through grassroots promotion, not product of the "here today, gone tomorrow" variety. We need to address what's really more important to us as a society...lining the wallet or enriching the soul. It is your move...don't blow it for the artists and the industry.

Sincerely,



Jason Schafer-Valerius

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cc: U.S. Senate Committee on Commerce, Science & Transportation